

Bitcoin Foundation wants US Department of Justice investigated

Bitcoin isn't money, so money laundering laws shouldn't apply

By [Thomas Claburn](#) in [San Francisco](#) 31 Aug 2017 at 23:05

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Spooked by prosecutions of Bitcoin sellers and pending money laundering rules, The Bitcoin Foundation on Tuesday said the cryptocurrency isn't really money and asked lawmakers to investigate the US Department of Justice's pursuit of merchants selling it.

In [a letter](#) [PDF] to the US Senate Judiciary Committee, Llew Claasen, the foundation's executive director, expressed opposition to Section 13 of the "Combating Money Laundering, Terrorist Financing and Counterfeiting Act of 2017" (S 1241).

That portion of the proposed law – **introduced** in May by Senators Chuck Grassley (R-IA), Dianne Feinstein (D-CA), John Cornyn (R-TX) and Sheldon Whitehouse (D-RI) – would extend record keeping requirements, used to track money laundering, to "digital currencies."

Claasen contends that Bitcoin isn't really money, at least in the sense contemplated by the bill, and thus should not be treated as such. "Bitcoin lacks the characteristic of monetary instruments or financial products which S 1241's Section 13 attempts to regulate," he wrote.

Conflicting views among state and federal agencies on how digital currencies should be regulated, Claasen insists, mean additional research should be undertaken before Congress passes laws affecting Bitcoin and its ilk.

Claasen also takes issue with the lawmakers' claim that terrorists are using cryptocurrencies. "Contrary to this assertion, there is little to no systemic evidence that terrorist organizations use virtual currencies," he said. "In fact, the use of cash or other assets, such as art trafficking, represents a much greater risk for the law enforcement community."

He points out that US rules would not prevent terrorists from using financial platforms based outside the country. And he argues that digital currencies make a poor choice for criminal activity because "blockchain leaves a digital footprint that investigators can follow."

Citing three prosecutions of Bitcoin sellers since 2011, Claasen goes on to decry the DoJ's use of money transmitting laws to go after Bitcoin sellers. Bitcoin, he insists, is not covered under these laws, and if Congress wants it to be, legislators should amend the appropriate statute.

The Department of the Treasury does not share that view. In 2013, the agency **said** [PDF], "The definition of a money transmitter does not differentiate between real currencies and convertible virtual currencies."

In an effort to deter the targeting of Bitcoin sellers, Claasen asked the Committee to have Congress' investigative arm, the Government Accountability Office, look into the DoJ's pursuit of cryptocurrency cases.

In its **complaint** [PDF] against Nixa, Missouri, resident Jason Klein, **one of the cases** singled out by Claasen, the DoJ said Bitcoin is not illegal and has legitimate uses. Nonetheless, the law enforcement agency takes a dim view of exchanging Bitcoin for cash. For that, it charged Klein with operating a money transmitting business without following licensing and business registration requirements.

Klein pled guilty and, once sentenced, could face up to five years in prison for his lack of record keeping and reporting. ®